



17 November 2008

### Exchange Rate Impact on COLA

1. COLA is a supplement designed to equalize service members' purchasing power by compensating them for the difference between the cost of living in Korea and the cost of living in CONUS. Several factors impact the COLA rate. These factors include the Korean Won exchange rate, shopping patterns of Service members, duty location, and accompanied status.
2. The dollar has appreciated over the last three months rising from 983 won on 1 Aug 08 to a high of 1446 won on 29 Oct 08. This has resulted in two effects: continual decrease in your COLA and a counterbalance increase in your purchasing power. Remember, COLA is a supplement designed to equalize purchasing power between Service members overseas and their CONUS-based counterparts. When the dollar reaches a point where your purchasing power equals that of a Service member in CONUS you are no longer entitled to the COLA supplement.
3. The exchange rate over the last two weeks ranged from 1275 to 1375 won to the dollar, while the COLA pay system rate was set at only 1180. Effective 1 Nov, the Per Diem Travel and Transportation Allowance Committee (PDTATAC) reset the pay system rate to an equitable rate. The result was COLA being reduced to zero for all areas of Korea except Seoul. The COLA index in Seoul dropped from 114 to 104.
4. The exchange rate is reviewed twice each month to ensure the COLA supplement retains its intended level of purchasing power. When the won strengthens, it lessens the purchasing power of the dollar and could drive an increase in the COLA. In the same way, when the won weakens, it increases the purchasing power of the dollar and could drive a decrease in the COLA.
5. I understand that the cost of living allowance is a valuable financial supplement. The command will ensure Service members receive every penny to which they are entitled by regulation. The exchange rate is only one factor in setting COLA. The other factors are COLA shopping patterns and COLA price surveys. I urge you to participate in the upcoming COLA surveys so that the COLA supplement is as accurate as possible. For additional information regarding COLA, please contact the 175th Financial Management Center at DSN 725-3201 or check their [website](#).

We Go Together!

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